JOINT SESSION OF THE JASPER COUNTY COUNCIL AND JASPER COUNTY BOARD OF COMMISSIONERS
MARCH 6, 2017

The Jasper County Board of Commissioners and the Jasper County Council met this date at 6:00 P.M. at the Jasper County Extension Office, 2530 North McKinley Avenue, Rensselaer, Indiana, with the following members present: Kendell Culp, Richard E. Maxwell, Rein Bontreger, Stephen Jordan, Gerrit H. DeVries, Andrew Andree, Gary Fritts, Paul Norwine and Brett Risner. Also present were Auditor Kimberly K. Grow, Deputy Auditor Tina Porter and Matt Eckerle, Susan Reed and Paige Sansone from H.J. Umbaugh and Associates. Please let the record show that James A. Walstra was absent. Auditor Grow called the meeting to order.

Mr. Eckerle began by mentioning Umbaugh's relationship with the County, dating back to the original Detention Center financing in 2007 to the most recent refinancing of the Detention Center bonds. As part of the bond issuance process for the refinancing and in order to take the bonds to the public market, the County had to get a rating on the bonds through Standard and Poor. During the ratings process, Standard and Poor look at the finances of the community to assign a rating. The County was downgraded from a AA+ to a AA, which is still a really good rating. Standard and Poor brought up a couple areas of concern, which Mr. Eckerle said Ms. Reed, the Director of Disclosure Services, will be discussing in further detail. He said the end result of the bond refinancing was a new interest rate of approximately 1.97 percent, which will end up saving the County just under $25,000.00 per year. The bonds have a final maturity of January, 2022. The total savings are approximately $91,000.00.

Ms. Reed stated that what S & P tries to do is evaluate the County against other counties, not only in Indiana, but across the country, to the extent that it's as similar as possible to other areas. This in turn makes their job easier. They have set criteria they like to see when evaluating issuers, which also makes their process more transparent. In March, 2007 the County's rating was raised to a AA- from an A+. Rating agencies try to evaluate the best they can and will sometimes make adjustments to their rating criteria, which is what they did in September 2013. When that happened, the County got raised to a AA+, which as she recalls, was due to the County's budgetary liquidity at the time. In November 2016, the County's rating was lowered to a AA, due to softening of budgetary performance and clarified management practices. She said that any changes that are made now will help ratings in the future. The rating agencies also do surveillance, such as when the County's rating was bumped up in September, 2013. She discussed page three of the handout "Rating Overview and Policy Considerations", which listed all ratings categories and their definitions. She said that thirty percent of the rating is based on the local economy. Management is twenty percent of the rating. She said that Jasper County is a conservative county with fiscal spending so if what we're doing were to be put in to policies, it would weigh well with the rating agencies. On page five of the handout, she explained that there are positive overriding factors and negative overriding factors that influence the rating. If management is assessed as weak, the rating is capped at an A. The following are set criteria that S & P is looking for: Revenue and expenditure assumptions, Budget amendments and updates (while giving the fiscal body updates at least quarterly; although most counties do this monthly), Long term financial planning, Long term capital planning (needs to be at least five years and updated on an annual basis), Investment management policies (she said that Jasper County has a formal policy in place but it simply states that we follow state statute whereas more detail would be better), Debt management policies and Reserve and liquidity policies. She and Mr. Eckerle went over suggested policy considerations. The first one is a Debt Policy. Mr. Bontreger asked, if after a policy is put in place with Umbaugh's guidance, how often would it need to be amended or updated. Ms. Reed replied that, most importantly, it needs to be a policy with solid, achievable goals and she recommended looking at it annually to make sure the targets are being met. The second is a Reserve Policy. S & P wants to make sure the County has a minimum reserve in target for the operating funds. She recommends pulling all funds together that can be used for operating expenses, such as the General Fund and the Rainy Day Fund, in order to meet a goal on a reserve minimum. The rating agency wants to see that there will be longevity in fiscal planning for the County, which makes it more predictable for them. Mr. Culp stated that during one of the ratings calls, they recognized and appreciated the seven million dollar plus Rainy Day Fund that the County has, but they would like to have a percentage or stated amount in a policy so that the fund remains consistent. He also said that the rating agency would also like the Council to see the approved budget, money spent and percentages left on a monthly basis. Auditor Grow confirmed with the Council and the Commissioners that they are receiving the monthly reports from Linda Armstrong.

Mr. Fritts asked if these policies are general suggestions for every county or if they are specific to Jasper County. Ms. Reed replied that they are general county guidelines from S & P, but these were mentioned specifically for Jasper County when they evaluated the County. Mr. Culp stated that he was not happy about the fact that the County was downgraded from a AA+ to a AA, even though a AA is still good. He said that S & P has concerns. He cited spending versus income as being a red flag, the possibility that NIPSCO might reduce operations and the fact that Saint Joseph's College is closing, all of which could have a big impact on the County.

Paige Sansone, Head of Budget Services Group, stated that many of the items Ms. Reed talked about can be addressed with a formal comprehensive long term financial plan. She said they are helping many counties throughout the state develop these long term financial plans. They are seeing many counties across the state having to do more with less resources. She referred to a graph on page three of the handout Long-Term Comprehensive Financial Planning that shows the ending balance in the General and CAGIT Certified Shares Funds (combined). There is a downward trend in the balance, this trend beginning in 2013. She said while this is not unusual, now is the time to take corrective action. If this trend continues, the County will be unable to maintain and/or increase the rating. She said to create a long term financial plan, they would look at the major operating funds two to three years back in order to make projections for the next three to five years. Each fund will have it's own set of observations and recommendations. They will give the County a minimum suggested reserve balance and suggest ways the County can build up that balance. She said, generally speaking, minimum cash reserves are approximately fifteen percent of disbursements. A better, more ideal reserve would be twenty five to thirty percent. She said that S & P looks at reserves, so if the County is not currently meeting that minimum, she said Umbaugh can help the County develop a plan to get the minimum where it needs to be in the major operating funds. She stated that Umbaugh looks at ways the County might be able to increase revenue, such as permitting costs, licensing costs, etc. They also look at the various mixes of Local Income Tax (LIT). They can also update the plan as the County's needs change. They would look to see if the County has any major funding gaps or structural deficits and how to bridge those gaps. They will also meet with department heads to get their ideas about what their needs are, particularly in the form of capital. They can help the County develop a five year capital improvement plan, either by using capital on hand or exploring financing options. She added that this plan will make the budget process seamless. Most of the counties they've developed plans for update every year around this time so they have all the information on hand and many of the decisions are already made prior to budget time since this is a continual process. Mr. Bontreger asked what the County's cost would be and what the timeline is to get assessed and analyzed. Ms. Sansone replied that they usually charge $25,000.00 to $30,000.00 initially to set up the model. Updates, if done on a yearly basis, would be between $10,000.00 to $15,000.00. It normally takes approximately six to eight weeks. Mr. Bontreger asked if that is a total cost or cost per fund. She replied that it's a total cost for the complete comprehensive financial plan. The plan can be tailored to fit the County's needs. It can be as detailed as the County would like it to be and can include tax rate comparisons and/or provide benchmark data. Mr. Fritts asked how many counties they do this for. Ms. Sansone said that she's worked with fifteen counties, several of which get updates on an annual basis. Elkhart, Randolph and Kosciusko are a few that they've worked with. Mr. Risner asked Ms. Sansone how she would estimate future receipts. He said the money going out hasn't changed much, but the money coming in has changed dramatically and will continue to do so in the future. She replied that they are very experienced with estimating receipts and that they also work with a firm called Policy Analytics, who helps Umbaugh do a parcel by parcel analysis of every property in the County. They need that information for the circuit breaker, since that is the unknown. Mr. Fritts asked if there would be an additional cost when Umbaugh works with Policy Analytics. She replied that it's included in the $25,000.00. That amount will cover approximately ten to fifteen funds. Mr. Fritts asked what kind of commitment Umbaugh will need from the Council throughout this process and if Umbaugh will be personally meeting with the Council. Ms. Sansone replied that they absolutely can meet with the Council if they would like. She said what they generally do is schedule a meeting with the County and can even meet with the department heads throughout the day, which the Council and Commissioners can be involved with as well. They would like to hear the County's concerns. Mr. Culp stated that, when asked if the County had a five year improvement plan, they had to answer no in written form, even though the County has an idea on what dollars were coming in and what they would need to be used for.

He said that Mr. Haberlin came up with a five year plan using an equipment inventory that will be used at budget time. Mr. Risner said that, in regards to the $1,000,000.00 match money, if we knew we were going to get that each year, some of it could be held back. Mr. Culp stated that he believes the State will continue to fund that through gas sales tax and other fees, although we need to be thinking about what we are going to do once the match money runs out. Mr. Bontreger stated that the planned outcome of this type of analysis is what the County needs. He asked Mr. Culp what we would need to do to get the process going. Mr. Culp replied that he presumes the Commissioners would probably sign a contract. Mr. Fritts stated that the County has great challenges ahead due to NIPSCO and St Joseph's College. He also mentioned LIT and property taxes and said that it would be great for the Council to have some direction on whether or not they should shift some things around. There was agreement that this will tie back to the bond rating, which the County is trying to improve, and that will equal lower rates and less money coming out of the taxpayers pockets. Mr. DeVries stated that it's his understanding that the decreasing balance in the County General Fund over the last couple of years is what brought this meeting about. He said that Jasper County is more dependent on income tax revenue rather than property tax revenue. He's curious as to how income tax revenue can be forecasted. The closing of St. Joseph's College affects approximately one-hundred and ninety employees that live in Jasper County with a total of about six million dollars in income. He said that income tax is the most vulnerable means of building County revenue and asked how the income tax will be worked in to the plan for Jasper County. Ms. Sansone replied that their projections will have to be based off of what we know today. She said she will need feedback from the Council and Commissioners and will need to research to determine how much the income tax revenue will be reduced due to the job losses. Ms. Sansone confirmed that Jasper County is operating at the maximum property tax levy limitations. She said that the income tax is still a very good revenue source for the County and that they will need to do projections to determine how the County will be affected by the reduction in income tax in the future. Mr. DeVries stated that he attended a meeting the week prior where there was discussion about all aspects that will be affected by the closing of St. Joseph's College. He said that there will be a huge ripple effect with stores, businesses, people spending money, the local employees, etc. and we cannot underestimate that. Ms. Sansone agreed.

Mr. Eckerle stated that what Ms. Sansone quoted was the long-term comprehensive plan. If the County wants Ms. Reed's assistance with developing targeted policies, such as translating the comprehensive plan in to policies to meet S & P's criteria, it would cost an additional $5,000.00 to $6,000.00. Ms. Reed stated that it would not need to be updated very often. If changes are needed, it would be minimal. She said that she could send Auditor Grow a proposal with the cost listed. Mr. Bontreger stated that he likes the idea of an annual update. Mr. Norwine stated that what he's seeing is that the County is actually spending less than what we were previously. The issue is that the revenue is down. Mr. Risner stated that, other than County General, he thinks the other funds look fine according to the report. Mr. Bontreger replied that we need to find out what's going on. There was discussion about changes made to the County General Fund in 2005. Mr. Norwine asked Mr. Eckerle, Ms. Reed and Ms. Sansone how much of this they think is due to the County needing to say "no" more often to requests for additional money versus revenue. Ms. Sansone replied that they have not analyzed Jasper County's situation, but she would like to. She said, in response to Mr. Norwine's question, her experience across the State has been that it's a combination of both. The spending is outpacing the growth and revenue and there's not enough revenue coming in. She and Ms. Reed stated that part of the process is to analyze what exactly is happening. She said, immediately, they usually see things that stand out to them that could be drivers of what is happening, as well as underlying issues that could possibly be corrected relatively easily, other times not. They help the County come up with options and solutions to correct what needs to be. Mr. DeVries asked if they would be looking at the different sources of revenue, rather than just revenue as a whole. Ms. Sansone replied that they would look at individual sources of revenue. Mr. Risner stated that revenue is hard to predict. Ms. Sansone replied that it is, but we have to use the knowledge we have today. The benefit to updating on a yearly basis is that the numbers can be adjusted as needed. She said they are typically conservative with revenue, but since the County is losing a big employer, they will have to make that adjustment accordingly. Mr. Bontreger said that he thinks that the financial plan is a great idea and he would be in favor of moving forward with it when the Council officially has to fund it. There was discussion on what needs to happen to start the process.

Ms. Sansone said they should be able to get a proposal to the County within the next week or so. Mr. Maxwell said that they can vote on it at the March 20th Commissioners meeting. There was discussion about the cost of the two different options, the long-term financial plan and the annual updates. There was discussion about large costs that have come up recently in regards to equipment needing replaced and how the financial plan will help the County be ready for those types of situations in the future. Ms. Sansone added that the counties that they've prepared financial plans for have often found that their budget work is completed for them through this plan. Mr. Fritts asked if there was a place where the S&P rating for every county can be accessed. Ms. Reed replied that they have a subscription, but there is a transparency portal through the Municipal Securities Rulemaking Board. She said the site has a lot of information on bond issues in general and is worth taking a look at. Mr. Eckerle, Ms. Sansone and Ms. Reed were thanked for their time and they thanked the Council and Commissioners for having them.

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Rein O. Bontreger, Council President

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Kendell Culp, Commissioner President

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James A. Walstra, Commissioner Vice President

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Richard A. Maxwell, Commissioner Member

ATTEST:

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Kimberly K. Grow, Auditor of Jasper County